ASX Announcement

REAL ESTATE INVESTMENT MANAGEMENT

Date
23 February 2012

Fund
ING Real Estate Community Living Group

ILF Half Year 2012 Results

- Net profit increased to $29.1 million compared to $10.3 million for 1H 2011
- Board endorses internalisation of management – targeting EGM in May 2012
- Advancing possible sale of US Seniors portfolio at premium to book value
- ILF reaffirms intention to recommence distributions in 2012

ING Real Estate Community Living Group (ASX: ILF) today announced its half year results for the six months ended 31 December 2011.

ILF Chief Executive Officer, Simon Owen said: “Today’s results are a further step forward in the transformation of ILF as an actively managed seniors living owner, operator and developer focused on the Australian market”.

“We have improved our capital position substantially, with effective Australian gearing now below 40%, while net asset value (NAV) per unit grew from $0.26 to $0.33. ILF is well placed to deliver long term sustainable growth to unitholders through accretive development and bolt-on acquisitions”.

As previously disclosed, ILF continues to explore expressions of interest to acquire the Fund’s remaining US Seniors assets which are located in Long Island, New York.

“The New York assets represent a portfolio of high quality seniors housing communities with significant barriers to entry and a client base largely unaffected by recent global financial turmoil. We have a clear view on the premium value of this portfolio, and are progressing discussions with a number of qualified parties.”

Financial Highlights

Key financial metrics for the period include:

- Net profit increased to $29.1 million compared to $10.3 million for the prior comparative period (pcp);
- Operating income[1] of $4.1 million marginally down from $4.6 million pcp;
- Operating income per unit of 0.9 cents compared to 1.0 cent pcp;
- Net cashflow from operations of $3.2 million down from $4.3 million pcp (impacted by payment of backlog Responsible Entity fees of $2.4m in November 2011);

[1] A reconciliation of operating income and net profit is given in the attached Director’s Report.

- Effective Australian loan to value ratio (LVR) lower than 40% compared to 55.7% as at 30 June 2011[2];
- Look through gearing of 52.0% compared to 69.0% as at 30 June 2011; and
- NAV per unit materially improved to $0.33 from $0.26 as at 30 June 2011.

ING Strategic Review

The Board has completed a strategic review of the future management and ownership structure of this Fund, and is pleased to announce its endorsement of internalisation as the preferred strategy for ILF's future growth.

ILF Chairman Michael Coleman said, "The Board has conducted a thorough, consultative process evaluating multiple alternatives, with careful consideration given to unitholder interest. The overwhelming preference amongst unitholders was for internalisation of management with a focus on building a leading Australian Seniors living business."

Existing key ILF executives will continue with the internalised fund and Jim Hazel, a respected industry veteran and Bendigo & Adelaide Bank director, has agreed to assume the role of Non-Executive Independent Chairman upon internalisation.

Management is working with the Board and ING to finalise an internalisation proposal which will likely be presented to unitholders for consideration at an Extraordinary General Meeting in May 2012.

Valuations

External valuations were undertaken on six of the Fund's 33 Australian Seniors communities and the six New York communities in December 2011, representing 52.8% of the ILF portfolio by value.

The New York portfolio has increased by A$31.7 million (7.2¢ per unit) as at 31 December 2011, principally driven by investor demand for quality, yield driven seniors housing assets. In Australia, the 0.7¢ decline in asset values is primarily attributable to the sell down (monetisation) of DMF conversion units.

As a result, NAV per unit increased significantly to $0.33.

Capital Management

The Fund's effective Australia LVR has materially dropped to less than 40.0% compared to 55.7% at 30 June 2011 due to the repatriation of the US sale proceeds.

The Fund's look-through gearing over the past three years has significantly decreased and is 52.0% as at 31 December 2011[3]. This is slightly higher than many of the Fund's AREIT

[2] For further details on the calculation of proforma Australian LVR, refer to Appendix 4, Slide 32 of accompanying presentation

[3] For further details on the calculation of look-through gearing at 31 December 2011, refer to Appendix 2, Slide 30 of accompanying presentation

peers, largely due to the New York portfolio which is highly geared at 72.0%. Nonetheless this US debt is non-recourse, fixed rate, long term and “covenant light”.

Portfolio Update

As at 31 December 2011, ILF’s Australian assets made up 66.9% of the Fund’s NAV. Management has previously advised unitholders of their intent to refocus the Fund onto the Australian market to build up a leading, profitable platform and leverage existing capabilities from its Australian Seniors operations.

In the Garden Villages portfolio, occupancy remains the key driver to income growth. As at 31 December 2011, portfolio occupancy closed at 80.1% up from 78.0% a year ago.

In the past year, DMF unit sales across the Settlers portfolio have slowed due to soft housing markets in Perth and Brisbane. Sales lead times have lengthened as potential residents take more time to sell their homes before moving into our villages. Targeted locally driven marketing initiatives have been launched to drive greater brand awareness.

Since the launch of the DMF Conversion program in December 2010, the three conversion villages in Queensland have enjoyed success and demand continues to build. To date some 31.0% of total stock has been sold or is under contract. This equates to 52 settlements and 14 contracted and reserved units worth $12.4 million. Expansion plans are underway for the Gladstone village where nearly 60% of Stage 1 units have been sold to date.

Management has identified Cessnock Village in NSW as the next conversion project, and the feasibility of two further conversions is currently being assessed.

The New Zealand Students portfolio faced a challenging 2011 academic year due to changes in tertiary funding, economic uncertainty and lower than expected foreign student intake. Enrolment figures have improved in the new student year in 2012. Management expects to conclude negotiations with the University by mid 2012 for a renewal of a new long term accommodation contract.

Strategy and Outlook

The ILF team remains focused on continually lifting operational performance and growing the business to deliver better results for unitholders. The Fund has development opportunities of $104.3 million (549 units) across its Australian Seniors business as at 31 December 2011.

In the longer term, bolt-on acquisitions and exploration of new business models and niche markets will also be rigorously assessed to ensure appropriate capital returns.

Management acknowledges the importance of returning capital to unitholders, and therefore reaffirms its intention to recommence distributions out of recurrent earnings in 2012.

A detailed results presentation for ILF is available on our website: www.ingrealestate.com.au

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About ING Real Estate Community Living Group

ING Real Estate Community Living Group (ASX code: ILF) is an externally managed ASX-listed real estate investment trust that owns, manages and develops a diversified portfolio of seniors housing communities. The Fund has total look-through assets under management of $562 million with operations located predominantly throughout Australia and the United States.